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DRAFT BUDGET

2013/14- 2015/16



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D ACRONYMS

Acronym

Budget Steering Committee : A strategic planning forum aimed at identifying key spending priorities for the municipality

Budget related policies : Policies of a municipality that affect or are affected by the budget.

CAPEX: Capital expenditure, spending on municipal assets such as land, buildings, roads, etc.

CPIX: Consumer price index excluding interest on mortgages

CPI: Consumer price index

GAAP: Generally Accepted Accounting Practice

COGTA: Cooperative Governance and Traditional Affairs

GRAP: Generally Recognised Accounting Practice

FBS: Free basic services

IDP: Integrated Development Plan, a strategic document detailing the municipality's medium term plan for development.

IGR: Intergovernmental relations

ICT: Information and communication technology

LED: Local economic development

MFMA: Municipal Financial Management Framework, Act 56 of 2003, legislation providing a framework for financial management in local government.

MIG: Municipal Infrastructure Grant

MSA: Municipal Systems Act, Act 32 of 2000.

MTB: Medium Term Budget, a three year financial plan of a municipality.

MTBPS: Medium Term Budget Policy Statement

NT: National Treasury of South Africa

OPEX: Operating expenditure, spending on the day to day operational activities such as salaries and wages, repairs and maintenance, general expenses.

SALGA: South African Local Government Association

SDBIP: Service Delivery and Budget Implementation Plan, a detailed plan containing quarterly performance targets and monthly budget estimates.



- + Mayoral Executive
- + Council General
- + Office of the Municipal Manager
- + Budget and Treasury
- + Corporate Services
- + Licensing and Traffic
- + Local Economic Development and Planning
- + Sports and Culture
- + Public Works
- + Cemeteries
- + Community hall and centres
- + Parks and Recreation
- + Library
- + Town Hall and Offices
- + Housing
- + Sanitation
- + Refuse Removal
- + Electricity
- + Water
- + PMU ñ Project Management Unit



The main strategic outcomes of the budget are to ensure:

- ✚ Modernizing financial management and improving accountability.
- ✚ Compilation of three year budgets.
- ✚ Deepening and improving the budget preparation process, by involving the political leadership and community.
- ✚ Ensuring that the IDP and Budget are linked, and that the IDP takes account of budgetary resources, and contain proper capital and operational plans.
- ✚ Improving the in-year implementation of the budget.
- ✚ Improving the audit and performance reporting after the financial year has ended.

The purpose of this document is to submit draft 2013/14 medium-term budget (MTB) for consideration by Council and community consultation of on the proposed tariff increases, projects and service delivery programmes.

The budget was compiled within the framework of the MFMA, Circular No 68 the National Treasury and the New Municipal Budget Regulations.

Those Circulars provides instructions, guidance and information on crucial issues that municipalities need to consider when preparing their 2013-14 budgets.



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PART 1



CHAPTER1: EXECUTIVE SUMMARY



SUMMARY

The application of sound financial management principles for the compilation of the local wide financial plan is essential and critical to ensure that the Local remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Local business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and ðñice to haveö items.

The municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 55, 58, 59, 67 and 68 were used to guide the compilation of the draft 2013/14 MTREF.

The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows:

- Ç The ongoing difficulties in the national and local economy;
- Ç Aging and poorly maintained water & sanitation, roads and electricity bulk infrastructure;
- Ç The need to re-prioritize projects and expenditure within the existing resource structure given the cash flow strangulations and the cash position of the municipality;
- Ç The need to fill critical vacancies and to attract skilled labour through competitive remuneration and conducive working environment;
- Ç Affordability of capital projects ñ the municipal allocation relating to infrastructure grant associated with capital investment is limited (Municipal Infrastructure Grant), thus limit the functions of the Local in relation to bulk infrastructure investment for the budget year 2013/14 MTREF and beyond; and
- Ç Availability and/or affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- Ç The 2012/13 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2013/14 annual budget;
- Ç Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Ç There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national



have been gazetted as required by the annual

- Ç Guidelines issued by the National Treasury on the projected inflation adjustments upon which the budget is based.



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CHAPTER 2: THE BUDGET



In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

Description	2009/10	2010/11	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousands							
<u>Financial Performance</u>							
Property rates	2 075	3 901	4 600	4 600	4 858	5 130	5 417
Service charges	25 053	26 744	49 611	38 138	52 635	55 583	58 696
Investment revenue	1 450	1 808	1 913	1 000	1 774	1 873	1 978
Transfers recognised - operational	29 950	54 126	46 440	48 040	50 066	53 824	61 579
Other own revenue	6 405	20 051	7 896	16 497	8 347	8 815	9 308
	64 933	106 630	110 460	108 275	117 680	125 225	136 978
Total Revenue (excluding capital transfers and contributions)							
Employee costs	23 298	24 527	34 587	34 680	34 380	39 993	42 153
Remuneration of councillors	1 923	2 119	2 696	2 867	2 948	3 125	3 281
Depreciation & asset impairment	3 669	11 377	1 660	13 600	1 753	1 847	1 947
Finance charges	3	221	–	–	335	353	939
Materials and bulk purchases	12 758	17 483	22 612	23 112	24 306	25 841	27 732
Transfers and grants	–	–	–	–	–	–	–
Other expenditure	19 175	35 073	46 047	37 034	41 144	43 366	46 422
Total Expenditure	60 826	90 800	107 601	111 293	104 866	114 525	122 474
Surplus/(Deficit)	4 107	15 830	2 859	(3 019)	12 815	10 699	14 504
Transfers recognised - capital	–	–	–	–	–	–	–
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–
	4 107	15 830	2 859	(3 019)	12 815	10 699	14 504
Surplus/(Deficit) after capital transfers & contributions							
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	4 107	15 830	2 859	(3 019)	12 815	10 699	14 504
<u>Capital expenditure & funds sources</u>							
Capital expenditure	19 229	31 777	36 237	41 126	–	–	–
Transfers recognised - capital	21 761	17 302	32 637	32 637	–	–	–
Public contributions & donations	–	7 200	–	–	–	–	–
Borrowing	–	4 000	–	–	–	–	–
Internally generated funds	–	3 275	2 859	8 489	–	–	–
Total sources of capital funds	21 761	31 777	35 496	41 126	–	–	–
<u>Financial position</u>							
Total current assets	32 150	32 711	61 786	81 328	–	–	–
Total non current assets	125 900	136 496	184 636	184 636	–	–	–
Total current liabilities	36 296	57 488	51 884	18 384	–	–	–
Total non current liabilities	6 606	–	–	12 200	–	–	–
Community wealth/Equity	–	–	–	–	–	–	–
<u>Cash flows</u>							
Net cash from (used) operating	26 940	25 636	29 306	34 637	–	–	–
Net cash from (used) investing	(25 053)	(16 945)	(32 126)	(37 099)	–	–	–
Net cash from (used) financing	–	–	–	(1 500)	–	–	–
Cash/cash equivalents at the year end	1 887	10 578	(520)	3 538	–	–	–
<u>Cash backing/surplus reconciliation</u>							



		15 004	18 786	15 248	-	-	-
		29 584	8 884	(42 557)	-	-	-
Balance - surplus (shortfall)	10 634	(14 579)	9 902	57 805	-	-	-
<u>Asset management</u>							
Asset register summary (WDV)	227 626	248 746	184 635	184 635	-	-	-
Depreciation & asset impairment	3 669	11 377	1 660	13 600	1 753	1 847	1 947
Renewal of Existing Assets	-	-	-	-	-	-	-
Repairs and Maintenance	4 044	8 375	8 441	-	-	-	-
<u>Free services</u>							
Cost of Free Basic Services provided	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-
<u>Households below minimum service level</u>							
Water:	3	3	3	3	-	-	-
Sanitation/sewerage:	3	3	3	3	-	-	-
Energy:	-	-	-	-	-	-	-
Refuse:	6	6	7	7	-	-	-

Total operating revenue has increased by 7% per cent or R7.2 million for the 2013/14 financial year when compared to the 2012/13 original budget. For the two outer years, operational revenue will increase by 5 and 6 per cent respectively. Increase in electricity tariffs and grants are the main reasons for growth in the revenue budget.

Total operating expenditure for the 2013/14 financial year has been appropriated at R104.6 million and translates into a budgeted surplus of R12.8 million when compared to the 2012/13 original budget, operational expenditure has decreased by 2.5 per cent in the 2013/14 budget and continues to grow by 5.6 and 5 per cent for the 2014-15 and 2015-16 respectively. The reduction was prompted by austerity measures implemented by Council in an attempt to improve on the financial viability of the municipality.

The capital budget for 2012/13 is R29.5million. The most of the capital budget will be funded from grants (Municipal Infrastructure Grant and Provincial Infrastructure Grant) and own source revenue realized from savings in the operating revenue over MTREF.

Operating Revenue Framework

For Kgetlengrivier Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality. The implementation of the Revenue Enhancement Strategy is fundamental to ensuring that the municipality improves its financial viability. The reality is that we are faced with development backlogs and poverty, hence an excessive number of indigents in the municipal area.

ess these challenges will inevitably always exceed choices have to be made in relation to balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- Ç National Treasury's guidelines and macroeconomic policy;
- Ç Growth in the and continued economic development;
- Ç Efficient revenue management;
- Ç Customer Survey and Data Purification Project;
- Ç Continuous interim valuations of the properties
- Ç Implementation of Debt Collection By-Laws

The following table is a summary of the 2013/14 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand					
Revenue By Source					
Property rates	4 600	4 600	4 858	5 130	5 417
Property rates - penalties & collection charges	–	–	–	–	–
Service charges - electricity revenue	30 307	27 507	32 004	33 796	35 689
Service charges - water revenue	7 236	5 736	7 888	8 329	8 796
Service charges - sanitation revenue	3 260	3 260	3 442	3 635	3 839
Service charges - refuse revenue	1 635	1 635	1 727	1 823	1 925
Service charges - other	7 173	–	7 575	7 999	8 447
Rental of facilities and equipment	14	29	35	36	38
Interest earned - external investments	1 913	1 000	1 774	1 873	1 978
Interest earned - outstanding debtors	4 200	9 700	4 435	4 684	4 946
Dividends received	–	–			
Fines	3 480	2 900	3 675	3 881	4 098
Licences and permits	–	–			
Agency services	–	3 634			
Transfers recognised - operational	46 440	48 040	50 066	53 824	61 579
Other revenue	202	234	203	214	226
Gains on disposal of PPE	–				
Total Revenue (excluding capital transfers and contributions)	110 460	108 275	117 680	125 225	136 978

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Operating grants and transfers forms a significant percentage of the



operating grants and transfers totals R46,4 million (which represents 50% of the operating budget) in the 2012/13 financial year and increase to R48.9 million and R52,5 million in the 2013/2014 and 2014/15 respectively.

Electricity is the major source of own income at 27% (R30,3 million in the 2012-13 financial year)

Table 3 Transfers and Grants

Receipts

B NW374 Kgetlengrivier	2013/14 R thousands	2014/15 R thousands	2015/16 R thousands
<u>DIRECT TRANSFERS FROM NATIONAL DEPARTMENTS</u>			
Local Government Equitable Share (Schedule 3)	46 026	50 590	58 162
General Fuel Levy Sharing with Metropolitan Municipalities			
Conditional Grants from National Departments	24 623	25 462	26 893
of which			
<u>Infrastructure Grants</u> (Schedule 5)	21 083	22 728	23 976
Cooperative Governance	21 083	22 728	23 976
Municipal Infrastructure Grant	21 083	22 728	23 976
<u>Recurrent Grants</u> (Schedule 5)	2 540	2 734	2 917
Cooperative Governance	890	934	967
Municipal Systems Improvement Grant	890	934	967
National Treasury	1 650	1 800	1 950
Local Government Financial Management Grant	1 650	1 800	1 950
<u>Incentive Grants</u>	1 000	-	-
Public Works	1 000	-	-
EPWP Incentive Grant for Municipalities	1 000	-	-
TOTAL: DIRECT TRANSFERS FROM NATIONAL DEPARTMENTS	70 649	76 052	85 055

Operating Expenditure Framework

The Municipality's expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- Ç Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;

for the medium-term as informed by Section 18 and

- Ç The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Ç Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Ç Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 4 Summary of operating expenditure by type

Description R thousand	2009/10	2010/11	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Expenditure By Type							
Employee related costs	23 298	24 527	34 587	34 680	36 380	39 993	42 153
Remuneration of councillors	1 923	2 119	2 696	2 867	2 948	3 125	3 281
Debt impairment	600	12 924	4 000	4 420	4 224	4 452	4 693
Depreciation & asset impairment	3 669	11 377	1 660	13 600	1 753	1 847	1 947
Finance charges	3	221	–		335	353	939
Bulk purchases	12 300	17 483	21 433	21 933	23 127	24 598	25 926
Other materials	458	–	1 179	1 179	1 179	1 243	1 806
Contracted services	4 545	–	5 655	7 488	5 950	6 272	6 610
Transfers and grants	–	–	–	–	–	–	–
Other expenditure	14 030	22 149	36 392	25 127	30 970	32 642	35 119
Loss on disposal of PPE	–	–	–				
Total Expenditure	60 826	90 800	107 601	111 293	106 866	114 525	122 474

The budgeted allocation for employee related costs for the 2013/14 financial year totals R36.8 million, which is less than 35 per cent of the total operating expenditure in line with the relevant guidelines. Based on the National treasury Guidelines, salary increases have been factored into this budget at a percentage increase of 6 per cent for the 2013/14 financial year. Key vacant positions have also been included in the employee costs.

Bulk purchases of electricity are budgeted at R23.1 million (which represents 20% of the operating budget) in the 2013-14 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent



as been taken into account in compiling the
unding, the above facts the Councillors projected
increase has been estimated at 5 per cent in the 2013/2014.

Due to the increasing legislative compliance requirement contracted services has been identified as one component that is increasing at cost for the Municipality. As part of the compilation of the 2013/14 MTREF this group of expenditure was critically evaluated and Head of Department had to motivate for this service to be included in the budget. In the 2013/14 financial year, this group of expenditure totals R5, 7 million and has escalated by just 0.07 per cent. For the two outer years growth has been limited to 5 and 5 per cent. The costs of formalization of townships have also been included in the professional services for the 2013/14 budget.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5.4 per cent for 2013/14 and curbed at 5,6% and 5,4% per cent for the two outer years, indicating that significant cost savings have been already realised.



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PART 2

CHAPTER 3: OVERVIEW OF THE ANNUAL BUDGET PROCESS



F THE ANNUAL BUDGET PROCESS

In terms of the Section 24 of the MFMA, Council must at least 30 days before the start of the financial year consider approval of the annual budget. The MFMA aims to put in place a sound financial framework and sets out timelines for budget preparations and approval.

IDP consultation and public hearings were held in all 6 wards of Kgetlengrivier Municipality between February and March 2013. Draft MTB estimates for the 2012-13 were determined and issued to all departments to prepare their draft budgets.

The draft MTB will tabled at a Council meeting to be held on 28 March 2013.

The table below outlines the timelines for the overall process of Budget, Tariffs and IDP.

Budget Process	Timeframe
IDP & Budget Process Schedule Preparation	July 2012
Table Process Schedule in Council	August 2012
Steering Committee Establishment	August 2012
First External Consultation Process – Community and Sector Departments (Informal)	September to October 2012
Issuing of final indicatives by Budget Office	January 2013
Submission of final draft tariffs, budgets and inputs to Budget Office	February 2013
Presentation of draft IDP, budget, tariffs, reviewed policies and reviewed IDP to Finance Portfolio Committee	March 2013
Tabling of the draft budget, tariffs and IDP at Council	March 2013
Public participation on the tabled budget, tariffs and IDP	April to May 2013
Approval of final IDP and Budget by Finance Portfolio Committee	May 2013
Council approval of final Budget and IDP	May 2013
Approval of Business Plans, SDBIP and Section 57 Managers performance agreements	June 2013
Tariffs and by-laws promulgated in Provincial Government Gazette	June 2013



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CHAPTER 4: OVERVIEW OF ALIGNMENT OF THE ANNUAL BUDGET

ALIGNMENT OF THE ANNUAL BUDGET WITH

The municipality's IDP contains the medium-term focus areas for development. These focus areas set the agenda for resource planning and allocation over the medium term.

Council has set the following priorities:

- + A safe, clean and green municipality;
- + A well-governed and managed municipality;
- + Housing and services; and
- + Economic growth and job creation.
- + Deliver more and better services in a caring and efficient manner;
- + Hold political office bearers and public servants accountable;
- + Shift resources to new priorities;
- + Move from debate to effective implementation and decisive action; and
- + Work in partnership with communities, labour and business to achieve our shared objectives.

The 2013/4 budget continues to address the following IDP interventions:

Local Economic Development

- + A budget of **R 2,8 million** from own funding has been allocated for L.E.D projects and SMME development and career exhibition expo have also been planned.
- + In the 2012/13 financial year, Kgetlengrivier Municipality intends to:
- + Resuscitate L.E.D projects that were previously initiated.
- + Encourage small businesses, women and youth to form cooperatives.
- + Implement its LED Strategy effectively in the 2012/13 financial years, through initiating ward based projects throughout the Municipality.
- + Exploit all possibilities to source funds from Development Finance Institutions such as DTI, NDA, Mines, Donors, etc and big businesses on behalf of promising SMMEs in the Municipality.
- + Build enough institutional capacity to establish effective Tourism, Agriculture and LED forums.
- + Insist on encouraging the Municipality to register all its infrastructure development projects with EPWP from which general public can participate, learn while also building enough capacity to create new entrepreneurs.
- + Request assistance from institutions such as CIDB, NHBRC and SEDA to train emerging contractors in construction and facilitate their accreditation.



Incentive Scheme/Policy so as to attract new
quality.

- ✚ Land availability for NGOs and Churches
- ✚ Paving brick making plant
- ✚ Letsema project will also be implemented to improve service delivery and job creation.

Infrastructure and Service delivery

This KPA is performed through Technical Services and Community Services Directorates. The municipality renders the following basic services to the residents in the urban areas; Water Provision; Sewerage Disposal; Refuse Removal and Electricity Provision. Other services rendered by the municipality to residents, include; Streets and Storm Water, Parks, Sports and Recreational Facilities; Cemeteries, Libraries, Primary Health Care, Traffic Control, Housing and Town Planning.

Households with access to basic services in Kgetlengrivier as compared to the North West Province (ranking 7 nationally) are depicted in the table below;

	North West	Kgetlengrivier	Backlog
Electricity	78,3%	63,5%	36,5%
Piped water	89,9%	80,8%	19,2%
Full or intermediate sanitation	53,4%	87,5%	12,5%
Refuse removal Services	48,81%	47,5%	52,5%



Expenditure by type

Vote Description	2009/10	2010/11	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Capital Expenditure - Standard							
Governance and administration	–	1 345	1 550	850	910	961	1 009
Executive and council		–	700	–			
Budget and treasury office		190	700	700	750	792	832
Corporate services		1 155	150	150	160	169	177
Community and public safety	–	5 530	2 000	1 200	2 000	2 112	2 218
Community and social services		5 530	800		1 000	1 056	1 109
Sport and recreation		–	–			–	–
Public safety		–	1 200	1 200	1 000	1 056	1 109
Housing		–	–				
Health		–					
Economic and environmental services	–	9 302	8 350	14 739	13 514	14 271	14 984
Planning and development		–	–				
Road transport		9 302	8 350	14 739	13 514	14 271	14 984
Environmental protection		–	–				
Trading services	19 229	15 600	24 337	24 337	13 100	13 834	14 525
Electricity	4 802	3 200	1 800	1 800	2 500	2 640	2 772
Water	7 666	10 600	20 500	20 500	8 500	8 976	9 425
Waste water management	6 761	1 500	2 037	2 037	2 100	2 218	2 328
Waste management		300	–	–			
Other		–	–	–			
Total Capital Expenditure - Standard	19 229	31 777	36 237	41 126	29 524	31 177	32 736
Funded by:							
National Government	16 761	13 802	20 137	20 137	21 083	22 728	23 976
Provincial Government	5 000	3 500	12 500	12 500			
District Municipality		–	–				
Other transfers and grants		–	–				
Transfers recognised - capital	21 761	17 302	32 637	32 637	21 083	22 728	23 976
Public contributions & donations		7 200	–				
Borrowing		4 000	–				
Internally generated funds		3 275	2 859	8 489	8 441	8 449	8 760
Total Capital Funding	21 761	31 777	35 496	41 126	29 524	31 177	32 736



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er, Sanitation, Electricity, Cemeteries and Roads
/14 amounts to **R29.5**, then increases to R31.1
million and decreases to R32.7 million the 2014-15 and 2015-16 respectively.



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BLE PERFORMANCE OBJECTIVES AND

Refer to the IDP and Service Delivery and Budget Implementation Plan for measurable performance objectives



F BUDGET-RELATED POLICIES

Budgeting is central to the process of prioritising for service delivery and the management of the functions of Council.

The municipality's budgeting process is guided and governed by relevant legislation and budget related policies.

The following are the key policies that are being reviewed during the 2013-14 budget process;

-  Credit control and debt collection policy
-  Indigent Policy
-  Tariffs Policy
-  Subsistence and Travelling Policy
-  Overtime policy
-  Asset Management Policy
-  Supply Chain Management Policy
-  Travel and Subsistence Policy
-  Cellular phone and 3G Cards Policy



WATER

TARIFF CODE	TARIFF DESCRIPTION	VAT EXEMPTION	APPROVED 2012/13	PROPOSED 2013/14	% INCREASE
W001	Water Basic: Residential	NO	12.45	13.147	5.60%
W002	Water Basic: Empty Stand	NO	28.6	30.202	5.60%
W003	Water Basic: Business	NO	17.8	19.580	10.00%
W200	Water: Departmental	YES	2.24	2.365	5.60%
W202	Water: Business	NO	6.52	7.172	10.00%
W209	Water: Residential -6KL Free*	NO	-	-	0.00%
W210	Water: Old Age Home	NO	6.52	6.885	5.60%
W211	Water: Consumer	NO	6.52	6.885	5.60%

SEWERAGE

TARIFF CODE	TARIFF DESCRIPTION	VAT EXEMPTION	APPROVED 2012/13	PROPOSED 2013/14	% INCREASE
S002	Sewer Basic: Governmental	NO	128.41	135.601	5.6%
S003	Sewer Basic: Residential	NO	25.7	27.139	5.6%
S004	Sewer Basic: Business	NO	154.08	162.708	5.6%
S005	Sewer Basic: Empty Stand	NO	30.82	32.546	5.6%
S006	Sewer Usage: Suctions Business	NO	61.64	65.092	5.6%
S008	Sewer Basic: Per Living Unit	NO	30.82	32.546	5.6%
S009	Sewer Basic: Hospital	NO	2057.68	2172.910	5.6%
S012	Sewer Basic: Institutions	NO	1541	1627.296	5.6%
S203	Sewer: Residential	NO	10.29	10.866	5.6%
S204	Sewer: Business	NO	128.41	135.601	5.6%
S206	Sewer Usage: Suctions Residential	NO	41.12	43.423	5.6%
S207	Sewer: Bucket	NO	25.72	27.160	5.6%
S208	Sewer: Per Living Unit	NO	10.29	10.866	5.6%
S210	Sewer: Hospital	NO	1283.93	1355.830	5.6%
S211	Sewer: Institutions	NO	770.36	813.500	5.6%
S400	Sewer: Business Low water usage	NO	25.92	27.372	5.6%
S402	SEWERAGE BUCKET - BUSINESS	NO	36.28	38.312	5.6%
S403	Sewer Basic: Business low water usage	NO	77.71	82.062	5.6%
S407	Sewer: USAGE - ABATTOIR & SPOORNET	NO	513.6	542.362	5.6%
S408	Sewer: Basic Station	NO	1027.19	1084.713	5.6%
S411	Sewer: BASIC - DAY CARE CENTRE	NO	51.36	54.236	5.6%



NO	332.12	350.719	5.6%
NO	829.31	875.751	5.6%

REFUSE REMOVAL

TARIFF CODE	TARIFF DESCRIPTION	VAT EXEMPTION	APPROVED 2012/13	PROPOSED 2013/14	% INCREASE
R 3	Refuse: Residential	NO	22.3	23.549	5.6%
R 12	Refuse: Business	NO	38.52	40.67712	5.6%

ASSESSMENT RATES

TARIFF CODE	TARIFF DESCRIPTION	VAT EXEMPTION	APPROVED 2012/13	PROPOSED 2013/14	% INCREASE
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CENTS IN A RAND PER MARKET VALUE OF PROPERTY

T003	Rates: Government	YES	1.20	1.27	0.056
T004	Rates: Public Service Infrastructure	YES	0.13	0.13	0.056
T008	Not rated before	YES			
T020	Rates: Commercial	YES	1.20	1.27	0.056
T030	Rates: Residential	YES	0.50	0.53	0.056
T041	Rates: Undeveloped Business Sites	YES	1.50	1.58	0.056
T042	Rates: Undeveloped Residential Sites	YES	0.70	0.74	0.056
T050	Rates: Agricultural	YES	0.13	0.13	0.056

REBATES

T003	Rates: Government	0%
T004	Rates: Public Service Infrastructure	75%
T008	Not rated before	0%
T020	Rates: Commercial	0%
T030	Rates: Residential	0%
T041	Rates: Undeveloped Business Sites	0%
T042	Rates: Undeveloped Residential Sites	0%
T050	Rates: Agricultural	75%



ELECTRICITY

CODE	DESCRIPTION	VAT EXEMPTION	INCLINING BLOCK TARIFF (IBT)	APPROVED 2012/13	PROPOSED 2013/14	% INCREASE
CONSUMPTION						
E001	Elec: Departmental	YES		1.443	1.56	8%
E004	Elec: Bulk Sales	NO		0.832	0.90	8%
E014	Elec: KWH Government/Mine Town	NO		1.12	1.21	8%
E017	Elec: KWH Residential	NO	1-50	0.66	0.71	8%
			51-350	0.85	0.92	8%
			351-600	1.02	1.10	8%
			601-9999999	1.11	1.20	8%
E018	Elec: KWH Business			1.321	1.43	8%
E011	Elec: KWH Institutions	NO		0.832	0.90	8%
E401	Elec: Residential Agricultural	NO	1-50	0.66	0.71	8%
			51-350	0.85	0.92	8%
			351-600	1.02	1.10	8%
			601-9999999	1.11	1.20	8%
E400	Elec: Business Agriculture	NO		1.321	1.43	8%
BASIC CHARGES						
E010	Elec: Basic Schools/Government Town	NO		251.6	271.73	8%
E019	Elec: Basic Residential 1-Town	NO		125.8	135.86	8%
E020	Elec: Basic Business Town	NO		226.2	244.30	8%
E021	Elec: Basic Residential Agriculture	NO		125.8	135.86	8%
E022	Elec: Basic Business Rural1	NO		226.2	244.30	8%
E024	Elec: Basic Residential 2-4Town	NO		125.8	135.86	8%
KVA						
E002	Elec: KVA Departmental	YES		38.79	41.89	8%
E012	Elec: KVA Business	NO		38.79	41.89	8%
OTHER						
E025	Elec: 400v Bulk Demand Town	NO		38.79	41.89	8%
E026	lec: Lifeline Town Indigent	NO	1-50	0.66	0.71	8%
			51-350	0.85	0.92	8%
			351-600	1.02	1.10	8%
			601-9999999	1.11	1.20	8%
E027	Elec: Basic 400V Bulk Sales	NO		1 201.07	1 297.16	8%
E028	Elec: 11KV Bulk Supply	NO		0.83	0.90	8%
E029	Elec: Basic 11KV Bulk Supply	NO		1 201.07	1 297.16	8%
E399	Re-connection Admin Levy	NO		174.30	188.24	8%

F BUDGET ASSUMPTIONS

Budget assumptions provide a comprehensive summary of all assumption made in preparing the budget proposals. Macro and micro economic matters, internal and external factors are taken into consideration.

The 2012/13 ñ 2014/15 Medium Term Budget has been prepared within a highly volatile and highly uncertain economic environment, making the budgeting process even more challenging.

Division of Revenue Act

The Division of Revenue Bill for 2012/2013 was utilized to determine the Equitable Share, Councilors remuneration subsidy, Financial Management Grant, Municipal Systems Improvement Grant, and Municipal Infrastructure Grant and National Electrification Programme Grant.

Average Salary increases

National Treasury Guidelines stipulates that salaries for 2013/14 financial year will be increased by **6.85%**. Thus salaries, allowances and employee benefits were increased by the same percentage

Price movements on bulk purchases and other expenses

- ✚ Bulk electricity purchases were increased by **8%** and municipalities have been advised to limit electricity increases between 7.5% and 8% according to Eskom guidelines as approved by NERSA.
- ✚ Repairs and Maintenance, General expenses and Capital Expenditure were budgeted based on inputs from all departments within the municipality.

Inflation

According to MFMA circular no 67 issued by the National Treasury, inflation rate is expected to stay between 3 to 6 percent. Consumer price index for the 2012/13 is estimated at 5.4%.



The main challenge facing Kgetlengrivier municipality is registration and verification of indigents, currently the number of applications received are currently standing at **5 600** and this figure could increase to **6 000** in the 2013/14 financial year.

Supply of Free basic Services

The increase in the number of indigents in the municipal area will mean that additional amount to be spent on indigent subsidies and write-offs.

6kl free basic water will be provided to residential consumers only.

The municipality is in the process of finalizing database of beneficiaries of free basic electricity of 50kw/h per month and negotiations with Eskom are underway.

Collection rates for main revenue sources

Collection rate of the current year budget levies is estimated at 54%, the allocation of these receipts depend on priority according to the tariff policy.

The municipality has planned to introduce credit control measures in the 2013-14 financial year and revenue collection will be increased from 54% to 75%.



F BUDGET FUNDING

Review of past performance

Operating Revenue and expenditure (28 February 2013)

A summarised extract of the statement of financial performance is as follows:

Description	APPROVED BUDGET	EXP YTD	% EXP
OPERATING REVENUE			
Property Rates	3 600 000	2 722 465	76
Interest Earned - Investments	1 953 000	198 338	10
Service Charges: Electricity	27 333 650	13 830 590	51
: Water	6 893 089	3 489 856	51
: Sanitation	3 259 730	2 067 065	63
: Refuse	1 557 240	718 582	46
: Other	1 939 557	5 344 407	276
Rental of facilities & equipment	13 475	3 207	24
Interest Earned - Outstanding debtors	9 700 000	8 543 756	88
Fines	3 780 000	1 260 018	33
Licencing & permits	-	4 443 183	0
Grants received - Operating/Capex	40 929 000	40 499 158	99
Other Revenue	158 406	111 126	70
Total Operating Revenue	101 117 147	83 231 751	82
OPERATING EXPENDITURE			
Employee Cost - Wages & Salaries	33 167 532	20 019 403	60
Debt impairment	2 500 000	1 666 664	67
Remuneration Of Councillors	2 686 459	3 054 647	114
Depreciation	1 452 319	1 419 589	98
Bulk purchases	18 542 940	13 301 427	72
Other materials	1 030 331	830 808	81
Contracted Services	2 861 727	4 342 815	152
General Expenses - Other	32 477 974	24 286 780	75
Total Operating Expenditure	94 719 282	68 922 133	73
SURPLUS / (DEFICIT)	6 397 865	14 309 618	



fs for its services are as follows for 2011/12;

Service	% Increase
Electricity	8%
Water: Consumers	5,6%
Water: Businesses & Government	10%
Refuse	5,6%
Sanitation	5,6%

N COMPLIANCE STATUS

The promulgation of the Municipal Finance Management Act (The Act) has brought in proficiency and control measures to local government in terms of budgeting, monitoring and accounting on public funds. The Act has had a profound effect on local government operations that required transformation in financial discipline and planning processes.

The budget preparation for 2012/13 to 2014/15 complies with most of these key requirements.

Purpose and quality of MFMA returns

✚ Section 71 Reports

- *Purpose – Status of municipal finance position*
- *Quality – The main challenge relates to reconciliation of accounts and this makes it difficult to provide the information timeously.*

✚ Borrowing Monitoring Return Form

- *Purpose – Status of municipal long debt*
- *Quality – Information provided every quarter is based on confirmed balances in the previous year and payment made during the quarter.*

✚ Budget Evaluation Checklist (Circular 10)

- *Purpose – Progress on compilation of budget*
- *Quality – Information is adequately provided as and when required.*

✚ MFMA 12 Urgent Priorities (Circular 5)

- *Purpose – Implementation of MFMA*
- *Quality – Assessment and evaluation relating to progress made needs to be enhanced.*

✚ Corporate Entities (Circular 5)

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – The municipality does not have entities.*

✚ PPP's (Circular 5)

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – The municipality did not enter into any PPP's.*

✚ Long Term Contracts

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – Information required for this return is provided sufficiently.*

Internal audit and audit committees

- ✚ The municipality has established the **internal audit** unit and is sharing Audit Committee with Bojanala District Municipality.

Risk Plans

The municipality has not performed risk assessment for the 2012-13 financial year.

Implementation of Supply Chain Management



identified to be met through each contract.

- + threshold values contained in the SCM Policy aligned with the values stipulated in regulation
- + Records are kept for the following;
 - Written or verbal quotations received and awards made.
 - Tenders and all other bids received and awards made.
 - Petty Cash purchases

Supply Chain Management Unit has been established and relevant statutory reports are currently compiled.

- + The entire three bid committees have established, are functional but there is lack of capacity.

Tabling of Section 71 Reports in Council

- + Monthly 71 reports are tabled Council

Treasury Guidelines (Gazette dated 9 April 2001)

- + Treasury Guidelines relating to financial management, and budget preparation & implementation are adhered to and this has been included in the budget policy.

Performance agreements

- + Performance agreement was entered into between the Mayor and the Accounting Officer for 2012/13 financial year.
- + Performance agreements were developed and entered into for 2012/13 financial year, and signed by all Section 57 managers.

GRAP Implementation

- + The municipality's financial statements are prepared in accordance with GRAP standards although the AG has issued disclaimer of audit opinion for the three consecutive years. The management has developed an action plan to deal with matters raised in the Auditor General Report.
- + The technical assistance of Provincial Treasury also contributed positively towards the municipality's endeavour to improve the audit opinion and the overall financial administration
- + GRAP compliant Asset Register was prepared by TMDG through assistance from Bojanala Platinum District Municipality.

It is recommended;

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the draft annual budget of the municipality for the financial year 2013/14; and indicative allocations for the two projected outer years 2014/15 and 2015/16; and the multi-year and single year capital appropriations be approved as set-out in the following tables:
 - 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.4. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be adopted as set-out in the following tables:
 - 2.1. Budgeted Financial Position;
 - 2.2. Budgeted Cash Flows;
 - 2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 2.4. Asset management; and
 - 2.5. Basic service delivery measurement.
3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates that were used to prepare the estimates of revenue by source, be approved with effect from 1 July 2013.
4. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out **Chapter 5** be approved.



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GETS PER DEPARTMENT

The detailed draft annual budget for the financial year 2013/14; and indicative allocations for the two projected outer years 2014/15 and 2015/16; are as set-out in the Tables 1 to Table 10



**COMPILED BY:
BUDGET AND TREASURY OFFICE**

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